

# Secrets of Tax Planning For Employee Stock Options With Michael Gray, CPA Telephone Conference

11:05 a.m.

Good morning,

The environment for employee stock options has dramatically changed over the last several years. More and more taxpayers are finding themselves subject to the alternative minimum tax. The disclosure rules issued by the Financial Accounting Standards Board and the pricing rules under Section 409A, the non-qualified deferred compensation rules, have been raising the costs of offering options to employees.

Federal tax rates are expected to go up after 2010, creating more uncertainty and planning possibilities.

Thanks to legislation enacted during October, 2008, many taxpayers have been able to recover some of the alternative minimum tax that they paid when they exercised incentive stock options as a refundable tax credit.

How do you plan to manage employee stock options in this "Brave New World"? **By participating in a telephone seminar with Michael Gray, CPA at 1 p.m., Pacific Daylight Time on Friday, June 25.**

The conference will last an hour and a half. The first hour of the conference will be a presentation about tax planning for employee stock options under the new tax laws, and the last 30 minutes will be a question and answer session.

## Who is Michael Gray, CPA?

Michael Gray is a certified public accountant who has worked continuously in tax practice since 1974. His tax practice has been largely devoted to helping people with problems related to employee stock options. He writes a regular newsletter, *Michael Gray, CPA's Option Alert*, and is the author of the new 2009 edition of *Secrets of Tax Planning for Employee Stock Options*. He is also the host of the television show, *Financial Insider Weekly*.

## What will be discussed in the seminar?

Here are some of the topics that will be discussed:

### Incentive Stock Options

1. What are four alternative scenarios to consider when evaluating risk and tax results when planning?
2. What is the "escape hatch" and when should you use it?
3. What tax rates apply in different scenarios, and how do they relate to evaluating risk? How does the increase in federal tax rates affect planning?
4. What are the mechanics of the alternative minimum tax and the minimum tax credit?
5. What rules apply for regular tax and the alternative minimum tax for non-vested stock?
6. How does the new refundable minimum tax credit work?
7. How can the estimated tax rules be used to manage cash flow?
8. What are the tax results of "hedging" strategies?
9. What are special considerations when an early exercise is allowed?
10. What special considerations apply for "insider" stock?

### Non-Qualified Stock Options

1. Who is eligible to receive non-qualified options as compared to incentive stock options and employee stock purchase plans?
2. What general rules apply when non-qualified stock options are exercised?

3. What tax rates apply for withholding? When does withholding apply? Is the withholding sufficient to eliminate a balance due on April 15 after the year-end?
4. When is stock considered "restricted," and what special elections apply in those situations?
5. Issues relating to employee "lockouts."
6. Issues for stock that isn't publicly traded.
7. What new "hoops" have been created for non-qualified stock options under the new non-qualified deferred compensation rules (Section 409A)?

#### **Employee Stock Purchase Plans**

1. How does an employee stock purchase plan compare to incentive stock options?
2. Disqualifying disposition tax trap.
3. Does the alternative minimum tax apply to ESPPs?

For employees with stock options, this presentation will help you build a framework for understanding planning for your options that you may build on for consulting with tax and investment advisors.

Advisors may find it useful to study an approach I've found highly successful in explaining how employee stock options work and establishing an initial relationship with my clients, and will learn the impact of the new tax laws on planning strategies.

When I have an initial consultation meeting with a client, the fee usually ranges from about \$430 to \$860.

**The investment for participating in the telephone conference is \$97**, plus the amount your long distance provider charges for the long distance service. If your long distance rate is 7 cents per minute, that would be about \$6.30.

**BONUSES!** As thank you gifts for participating in the telephone seminar, you will receive a copy of our 46 page book, ***Employee Stock Options - Executive Tax Planning***

(a \$24.97 value) and two DVDs of Michael Gray's *Financial Insider Weekly* interviews with options trader John Olagues about Employee Stock Option Basics and Hedging Strategies For Employee Stock Options at no additional charge or obligation.

When we have offered live seminars, many people mentioned problems with the location, etc. This is a way for you to participate from a location that is convenient for you.

**In addition, when you register for the seminar, you may request a CD of the teleconference to study at your convenience for \$10.**

Please fax or mail the enclosed form so that we receive it no later than June 18, 2010 and we will send you the telephone number to call. There will be a "control list" of people who invested in the seminar, and only they will be admitted by Black and White Communications, our service provider.

#### **Unconditional Guarantee**

You must agree this telephone conference has been a valuable experience for you or we will immediately issue a refund check for your investment.

I'm looking forward to helping you with your questions relating to employee stock options!

May your options increase in value!



Michael C. Gray  
mgray@stockoptionadvisors.com

P.S. Be sure to participate in this timely telephone conference presentation about tax planning for employee stock options on Friday, June 25 at 1 p.m. Pacific Time. Many people with options must make critical decisions. Here is information to help you make more informed choices and avoid expensive tax traps. As a thank you gift for participating in the telephone seminar, you

will receive a copy of our 46 page book, **Employee Stock Options - Executive Tax Planning** (a \$24.97 value) and two DVDs of Michael Gray's *Financial Insider Weekly* interviews with options trader John Olagues about Employee Stock Option Basics and Hedging Strategies For Employee Stock Options at no additional charge or obligation.

Remember, there will be a 30-minute question and answer session when you may have an opportunity to have your burning question answered. Your investment is unconditionally guaranteed. Complete and return the registration form today!

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## *Praise for Michael Gray's advice on stock options*

“During the tech boom, Silicon Valley workers had surprisingly few places to turn for help with their stock options. Mike Gray was one of them, providing an authoritative voice of prudence in a time of irrational exuberance. Steeped in the complexities of tax laws and strategies, he was among the first to co-author a primer to help workers understand how options worked and how to take money off the table. *Secrets of Tax Planning* delves much deeper, providing detailed explanations that should serve as a helpful resource for tax pros, investment managers and financial planners – and undoubtedly a few do-it-yourself engineers.”

–Mark Schwanhausser  
Personal finance reporter  
*San Jose Mercury News*  
San Jose, California

“To Whom It May Concern:

“I first met Mike Gray in 1999 to ask his assistance with stock option tax issues. Little did I know back then that over the next few years, Mike would help me with a hairy tax documentation problem, help my wife and me set up our will, provide me with advice on starting my new company, and become our company tax advisor. Along the way, Mike has provided me with excellent legal contacts and even sales reference materials.

“Adding it all up, you soon realize that Mike is much more than just a CPA – he is a very knowledgeable advisor and guide in all facets of our financial life. I’m very glad to count Mike Gray as one of my most trusted advisors.”

Best Regards,  
Dean

–Dean Haritos  
President  
Cloudbreak Software, Inc.  
San Jose, California

“Mr. Gray really knows his stock options and he is an expert with ‘AMT’ – Alternative Minimum Tax. Mr. Gray helped me receive a \$94,988.00 credit towards my tax liability. The savings in penalty, interest, and stress are worth much, much more – Thanks a \$ Million!”

–John Simon

“I contacted Michael Gray on April 12 of this year (2007) out of desperation. I had a somewhat complicated situation with stock options that were exercised in 2005 and flipped in 2006 resulting in an early disposition of qualifying options. I had given my papers to a local CPA who gave me the news that I owed the IRS a large mortgage for the

transaction with an overall tax rate of over 70% for the options. I then took my papers to a top notch national CPA firm who had their top tax researchers give me the same unbelievable news. An internet search turned up Michael's firm as stock option experts, and after emailing documents to him, he called me with the news that I in fact was getting a refund because of the early disposition, and had my extensions prepared before the April 15<sup>th</sup> deadline. Advice, service and client relationship are unsurpassed. If you have ISOs that you are considering exercising, contact an expert such as Michael Gray before you choose to exercise them.

–Bob Kalish

“I exercised some incentive stock options during 2005 and had a substantial alternative minimum tax. Early in 2006, my employer was acquired, resulting in a disqualified disposition of my ISO stock.

“My local accountant wasn't familiar with handling something like ISO stock. A fellow employee at my company said you helped him with the same transaction, resulting in a big refund.

“Your firm prepared amended 2006 income tax returns, resulting in a recovery of most of the alternative minimum tax paid in 2005.

“The IRS selected the amended return for audit. I was impressed that the IRS agent said he researched the issue and found that Michael Gray, CPA was an expert on the subject of incentive stock options and alternative minimum tax, which the agent hadn't dealt with before!

“You explained what happened to the agent and provided requested documentation. With a minimum of hassles, our amended return was accepted as filed. The entire examination to report process took just slightly over two months.

“I would recommend your firm to anyone who has incentive stock options.”

–Richard Gold  
Carmel, New York

## Registration Form

**Yes!** Sign me up to participate in your “Secrets of Tax Planning For Employee Stock Options” telephone conference. I want to learn how to get the maximum tax benefits from my options under the new tax laws while avoiding expensive tax traps.

The telephone conference will take place at 1 p.m., Pacific Time on Friday, June 25, 2010. The presentation will last about 60 minutes, followed by 30 minutes of questions and answers. My investment for the telephone conference is \$97. **Guarantee:** I must agree this is a valuable conference experience or you will immediately issue a check for a 100% refund.

You will provide the call-in telephone number to me and add my name to the list of those getting access to the conference.

As a bonus thank you gift for participating in the seminar, I will receive a copy of your book, *Employee Stock Options – Executive Tax Planning* (a \$24.97 value) and two DVDs of Michael Gray’s *Financial Insider Weekly* interviews with options trader John Olagues about Employee Stock Option Basics and Hedging Strategies For Employee Stock Options at no additional charge.

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Company Name \_\_\_\_\_

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City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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\_\_\_\_\_ In addition to my registration, send me a CD of the telephone conference. (\$10.00 plus \$1.50 shipping and \$1.06 sales tax for California residents.)

\_\_\_\_\_ I can’t attend the telephone seminar. Send me a CD of the telephone conference. (\$97 plus \$1.50 shipping and \$9.11 sales tax for California residents.)

\_\_\_\_\_ Payment is enclosed (mail orders only)

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